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# Business license management: it's time to raise your game

How to leave chaos behind and take business license management to new levels of compliance and efficiency.



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A television news crew shows up outside a restaurant. Rather than filming an upbeat profile of a local business, the restaurant owner instead is confronted with news that his establishment is operating in violation of municipal licensing ordinances. The TV station has been monitoring violations in its local jurisdiction and knows of the issue before the restaurant owner receives the notification in the mail. Although minor and quickly resolved, the reputational damage to the restaurant is lasting because customers make little distinction between a lapsed general operations license and a serious health violation.

Scenarios like this can happen because business licenses are inherently complicated and even highly skilled people sometimes miss something. Necessary for society to govern activity that affects its citizens, licenses assure the public that companies are operating safely and complying with important regulations.

Per a 2022 US Census Bureau report, in the US some 35,000 federal, state, county, and municipal agencies issue licenses covering hundreds of different products and services.<sup>1</sup> Such numbers make it difficult, if not impossible, for a single manager to understand, track, and comply with the requirements of each.

Licensing obligations also vary widely depending on the type of product or service involved, the number of locations, and the jurisdiction in which a business is located. While a local clothing store might need only a couple of licenses, a store chain

that sells many regulated products in numerous locations could need hundreds or even thousands.

Keeping these licenses up to date is a burdensome responsibility that businesses handle in widely dissimilar ways. Some companies assign license management to operations teams, others to their accounting, tax, or legal departments.

But unless responsibility for license management is clearly understood and consistently carried out, an organization can easily fall out of compliance and be surprised by the potentially onerous consequences.

Companies need a complete business license solution to avoid the risks of noncompliance that can arise from not dedicating enough resources to this critical but non-revenue-generating challenge.

## Growth fosters complexity

For many successful companies, license obligations start as a minor task requiring little effort. However, as a company expands into a variety of product lines and geographic areas, the number of licenses multiplies.

Take the example of a convenience store that starts as a mom-and-pop operation in one location, then expands to different communities and crosses state lines while expanding its product portfolio. What had been a negligible clerical chore can quickly turn into an unwieldy bureaucratic burden.

As complexity increases, chaos can ensue. Those responsible might be unaware of changes in licensing laws, miss renewal deadlines, and make various errors of commission or omission in attempting to comply. Unfortunately, the price of such mistakes can be steep, resulting in fines, store closures, and significant reputational damage.

It is all too easy for business license management to fall through the cracks. Managers of some departments might not want to get stuck with it since it

doesn't fall neatly into their portfolio of duties. Responsibility may not be clear because a given license may be based on various criteria of corporate governance ranging from headcount to inventory type to revenue amount.

Business license management can become a “hot potato,” with managers wondering whether human resources, inventory management, accounting, or some other department should be responsible. In addition, it is not a core business function; it represents only an added cost, leaving little incentive for anyone to raise their hand to take it on.

## What could go wrong?

Against this backdrop, it's little wonder that companies run into licensing issues and violations, usually due to one or more common causes:

**Management tools are not equal to the task.** Businesses that rely on spreadsheets to manage their licenses find out sooner or later that more is needed. While adequate for a small number of licenses, spreadsheets are not up to the task of managing hundreds of licenses across potentially thousands of jurisdictions.

**Ownership is not centralized.**

Spreadsheet deficiencies are often exposed as a business expands and its operations become increasingly far-flung. Better results are more likely when licensing compliance is centralized rather than scattered and assigned to various managers.

**Changes in laws.** Few ordinances remain in place forever, and most get modified in some fashion over time. Although licensing authorities might not intend to throw a curveball at businesses, an overwhelmed compliance manager might easily overlook or misread a notice describing a new statutory wrinkle.

**Changes in corporate structure.**

An organization might change its registration from an incorporated entity (“Inc.”) to a limited liability company (an LLC) to gain more favorable tax treatment. In addition, a company might acquire other businesses and, with them, entirely new product lines and locations. For locations acquired through a merger or acquisition, licenses may not be automatically conveyed; the surviving entity must apply for them.

While licensing authorities are seldom “out to get” organizations that fall out of compliance, enforcement can be hard to predict. As supervisory personnel change, an agency that exercised leniency one year might take a hard-line approach the next.

For businesses, how effectively they choose to deal with the issue boils down to their tolerance of the potential risks involved in non-compliance, including potentially severe fines, business shut-downs, legal expenses, loss of customers, reputational damage, and, ultimately, competitive disadvantage.

**More efficiency, less risk**

Many organizations are coming to realize that business license management software is a necessity. The trick is finding an effective solution amid the various offerings. Some are needlessly complex, while others fail to encompass a sufficient number of license types, jurisdictions, and agencies.

To ensure consistent compliance and alleviate tedious and error-prone clerical work, organizations need a solution that is:

- **Comprehensive.** Awareness of the various license types across 35,000+ jurisdictions is a necessary but daunting task that easily exceeds the capabilities of a single individual, and even those of a fully staffed corporate department.
- **Continually updated.** Laws, regulations, and fees frequently change and must be tracked. Notifications from licensing entities must be received and acted on promptly to avoid penalties associated with missed deadlines.
- **Scalable.** As organizations grow, their licensing needs increase. Considering a single merger or acquisition might bring with it a completely new set of licenses, a licensing solution must seamlessly integrate many license types and jurisdictions.
- **Easy to use.** Since license management can be complex, software that centralizes the work and presents managers with an easy-to-understand user interface

generates savings on training and labor.

- **Collaborative.** Business licenses often include requirements across the organization including approvals from executives, payments from finance, and business metrics from operations. A solution must enable the seamless management of all steps in the license process.

A solution meeting these criteria will require fewer people to manage. As a result, a company can avoid getting bogged down in meeting the requirements of a plethora of licenses and instead focus its resources on growing the business.

## **Avalara offers license management relief**

Avalara offers license management solutions that track and regularly update hundreds of different license types across thousands of jurisdictions. Avalara's team monitors changes in laws and contacts licensing authorities to check for updates. In addition, Avalara dispatches a fleet of web crawlers to check the sites of licensing agencies for any changes.

Because the needs of every business are different, Avalara Business License Management is available in three ways:

- Avalara License Management (ALM) is a self-serve software tool that enables companies to more efficiently and effectively manage business licenses. It is usually the choice of companies that have been relying on spreadsheets and want to continue handling license management themselves. Avalara's ease of use means you don't need highly paid and extensively trained staff to perform license management. The results are cost savings and a greater focus on strategic tasks.
- Avalara License Managed Services (ALMS) assigns Avalara licensing experts to help manage and maintain business license compliance on a company's behalf. Avalara becomes the address of record to receive notifications from licensing agencies. Avalara also receives and files license certificates, handles communications with authorities, pays bills, and reports on license

activity to the company.

- Avalara License Professional Services (ALPS) provides project-based support during times of business change. Examples include mergers and acquisitions; business expansions; store openings, closures, and relocations; and changes in organizational structure. Avalara performs research to gain a complete understanding of license requirements in the midst of a larger corporate transition, then deploys Avalara's resources to take charge of licensing duties.

## **From chaos to order**

Although a requirement of doing business, business license compliance is seldom at the top of a company's priority list. Yet when companies neglect license compliance, it can expose them to penalties, reputational damage, and loss of business. Many companies don't know their reliance on outmoded spreadsheets is a problem until a violation occurs, and they face a fine.

Avalara's Business License Management software enables companies to take control of licensing obligations. The Avalara solution is centralized, intuitive, extensive, and customizable – covering more than 150 license types across 22,000+ jurisdictions, including the federal government, all 50 states, and thousands of counties and municipalities. It can help any organization operate more cost-effectively while avoiding the

consequences of noncompliance – like showing up on the local TV news.

By partnering with Avalara for its software or services, business leaders can put to rest worries over compliance. Avalara's solutions can help reduce violations and allow staff to devote more attention to strategic challenges that are core to the business mission.

To learn more about how Avalara can help you meet your licensing requirements, visit:

**<https://www.avalara.com/us/en/products/business-licenses.html>**.

<sup>1</sup> US Census Bureau, 2022 Census of Governments - Organization, Table 2 Local Governments by Type and State:2022, <https://www.census.gov/data/tables/2022/econ/gus/2022-governments.html>

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